



**OFFICE OF AUDITOR OF STATE  
STATE OF IOWA**

Richard D. Johnson, CPA  
Auditor of State

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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**NEWS RELEASE**

FOR RELEASE September 27, 2002

Contact: Andy Nielsen  
515/281-5515

Auditor of State Richard Johnson today released an audit report on the Anita Municipal Utilities, Anita, Iowa.

Johnson reported that the Utilities' receipts totaled \$691,939 for the year ended June 30, 2002, a 5 percent decrease from 2001. The receipts included \$597,398 in charges for service and \$51,521 in interest on investments.

Disbursements for the year totaled \$663,245, a 6 percent increase from the prior year, which included \$548,816 for water and electric operations and \$114,429 for sewer rental fees and payments in lieu of taxes remitted to the City of Anita.

The Utilities also issued revenue notes totaling \$820,000 in May, 2002. The note proceeds will be used to purchase and install an electric generator.

This report contains recommendations to the Utility Trustees and other utility officials to hold a public hearing and receive bids for contracts and improvements over \$25,000. Johnson also recommended that the Utility establish accounts as required by the revenue note resolution. Utility officials responded that they will comply with the recommendations.

A copy of the audit report is available for review in the office of the Auditor of State and the Utilities' office.

# # #



**ANITA MUNICIPAL UTILITIES**  
**INDEPENDENT AUDITOR'S REPORTS**  
**FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION**  
**SCHEDULE OF FINDINGS**  
**JUNE 30, 2002**

## Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5
Financial Statements:	<u>Exhibit</u>
Combined Statement of Cash Transactions – All Funds	A 9
Comparison of Receipts, Disbursements and Changes in	
Balances – Actual to Budget	B 10-11
Statement of Indebtedness	C 12-13
Notes to Financial Statements	14-17
Supplemental Information:	<u>Schedule</u>
Combining Schedule of Cash Transactions:	
Enterprise Funds	1 20-23
Independent Auditor's Report on Compliance and on Internal	
Control over Financial Reporting	25-26
Schedule of Findings	27-28
Staff	29

## **Anita Municipal Utilities**

### **Officials**

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Lee Poepe	Trustee	July 2003
Jack Retz	Trustee	July 2005
Larry Phillips	Trustee	July 2007
Mark Schultz	Superintendent	Indefinite
Barbara Ann Sisler	Clerk/Cashier	Indefinite

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**Independent Auditor's Report**

To the Board of Trustees of the  
Anita Municipal Utilities:

We have audited the accompanying financial statements, listed as exhibits in the table of contents of this report, of the Anita Municipal Utilities, Anita, Iowa, as of and for the year ended June 30, 2002. These financial statements are the responsibility of Utilities' officials. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles. Also, as discussed in note 1, the financial statements of the Anita Municipal Utilities are intended to present only the results of the transactions of that portion of the financial reporting entity of the City of Anita that is attributable to the transactions of the Utilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the results of the cash transactions of the Anita Municipal Utilities as of and for the year ended June 30, 2002 on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued our report dated August 23, 2002 on our consideration of the Anita Municipal Utilities' internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of an audit.

Our audit was made for the purpose of forming an opinion on the aforementioned financial statements taken as a whole. The supplemental information included in Schedule 1 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in our audit of the aforementioned financial statements and, in our opinion, is fairly stated in all material respects in relation to the aforementioned financial statements taken as a whole.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 23, 2002

**Anita Municipal Utilities**



## **Financial Statements**

**Anita Municipal Utilities**

Anita Municipal Utilities  
Combined Statement of Cash Transactions  
All Funds  
Year ended June 30, 2002

	<u>Proprietary Fund Type Enterprise</u>
Receipts:	
Use of money and property	\$ 57,522
Charges for service	597,398
Miscellaneous	<u>37,019</u>
Total receipts	<u>691,939</u>
Disbursements:	
Home and Community Environment Program	548,816
Non-program	<u>114,429</u>
Total disbursements	<u>663,245</u>
Excess of receipts over disbursements	28,694
Other financing sources:	
Note proceeds (less discount of \$16,400)	<u>803,600</u>
Excess of receipts and other financing sources over disbursements	832,294
Balance beginning of year	<u>990,690</u>
Balance end of year	<u><u>\$ 1,822,984</u></u>

See notes to financial statements.

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Anita Municipal Utilities

Comparison of Receipts, Disbursements and Changes in Balances -  
Actual to Budget

Year ended June 30, 2002

	<u>Actual</u>
Receipts:	
Use of money and property	\$ 57,522
Charges for service	597,398
Miscellaneous	37,019
Total receipts	<u>691,939</u>
Disbursements:	
Home and Community Environment Program	548,816
Non-program	<u>114,429</u>
Total disbursements	<u>663,245</u>
Excess of receipts under disbursements	28,694
Other financing sources	<u>803,600</u>
Excess of receipts and other financing sources over disbursements	832,294
Balance beginning of year	<u>990,690</u>
Balance end of year	<u><u>\$ 1,822,984</u></u>

See notes to financial statements.

Less Funds not Required to be Budgeted	Net	Budget	Variable Favorable (Unfavorable)	Net as % of Budget
-	57,522	55,000	2,522	105%
114,429	482,969	807,804	(324,835)	60%
-	37,019	15,000	22,019	247%
114,429	577,510	877,804	(300,294)	66%
-	548,816	801,937	253,121	68%
114,429	-	-	-	
114,429	548,816	801,937	253,121	68%
-	28,694	75,867		
-	803,600	-		
-	832,294	75,867		
-	990,690	968,247		
-	1,822,984	1,044,114		

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Anita Municipal Utilities  
Statement of Indebtedness  
Year ended June 30, 2002

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Obligation	Date of Issue	Interest Rates
Revenue notes: Electric	May 1, 2002	3.25 -5.6%

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See notes to financial statements.

Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
\$ 820,000	-	820,000	-	820,000	-

Anita Municipal Utilities  
Notes to Financial Statements

June 30, 2002

**(1) Summary of Significant Accounting Policies**

**A. Reporting Entity**

The Anita Municipal Utilities is a component unit of the City of Anita, Iowa, as determined by criteria specified by the Governmental Accounting Standards Board. The Utilities is governed by a three-member board of trustees appointed by the City Council, which exercises oversight responsibility under this criteria.

**B. Fund Accounting**

The accounts of the Utilities are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for by providing a separate set of self-balancing accounts which comprise its receipts, disbursements and fund balance. The various funds are classified as Enterprise Funds in the financial statements. Enterprise Funds are utilized to finance and account for the acquisition, operation and maintenance of governmental facilities and services that are supported by user charges.

**C. Basis of Accounting**

The Anita Municipal Utilities maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the Utilities are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

**D. Budgets and Budgetary Accounting**

The Anita Municipal Utilities prepares a budget on the cash basis of accounting and submits it to the City Council. In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon four major classes of disbursements, known as programs, not by fund. These four programs are community protection, human development, home and community environment and policy and administration.



## (2) Deposits

The Utilities' deposits in banks at June 30, 2002 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the members of the pool to insure there will be no loss of public funds.

The Utilities is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Utilities had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement Number 3.

## (3) Revenue Notes

Annual debt service requirements to maturity for revenue note indebtedness is as follows:

Year Ending une 30,	Interest Rate	Revenue Notes		Total
		Principal	Interest	
2003	3.25%	\$ 40,000	39,870	79,870
2004	3.75%	40,000	38,570	78,570
2005	4.00%	40,000	37,070	77,070
2006	4.20%	45,000	35,470	80,470
2007	4.40%	45,000	33,580	78,580
2008	4.60%	50,000	31,600	81,600
2009	4.80%	50,000	29,300	79,300
2010	4.90%	55,000	26,900	81,900
2011	5.00%	55,000	24,205	79,205
2012	5.10%	60,000	21,455	81,455
2013	5.20%	60,000	18,395	78,395
2014	5.30%	65,000	15,275	80,275
2015	5.40%	70,000	11,830	81,830
2016	5.50%	70,000	8,050	78,050
2017	5.60%	75,000	4,200	79,200
Total		\$ 820,000	375,770	1,195,770

The resolution providing for the issuance of the revenue notes includes the following provisions.

- (a) The notes will only be redeemed from the future earnings of the enterprise activity and note holders hold a lien on the future earnings of the funds.
- (b) Sufficient monthly transfers shall be made to a separate sinking account for the purpose of making the note principal and interest payments when due.
- (c) At the time of delivery of the notes, \$82,000 shall be deposited into a principal and interest reserve account. These funds shall be used for the payment of principal and interest on the notes if for any reason funds on deposit in the sinking account are insufficient to pay such when due.

- (d) At the time of delivery of the notes, \$50,000 shall be deposited into an improvement and extension account. These funds shall be used if there is a deficiency in the sinking account, reserve account or to pay for capital improvements and extensions to the Utility.

The Utility has not established the sinking, reserve and improvement and extension accounts required by the electric revenue note resolution.

#### **(4) Pension and Retirement Benefits**

The Utilities contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the Utilities is required to contribute 5.75% of annual covered payroll. Contribution requirements are established by state statute. The Utilities' contribution to IPERS for the years ended June 30, 2002, 2001, and 2000 were \$8,896, \$8,575, and \$8,242, respectively, equal to the required contributions for each year.

#### **(5) Compensated Absences**

Utilities' employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the Utilities until used or paid. The Utilities' approximate liability for earned vacation and sick leave termination payments payable to employees at June 30, 2002, is as follows:

Type of Benefit	Amount
Vacation	\$ 10,400
Sick leave	<u>15,800</u>
Total	<u>\$ 26,200</u>

Sick leave is payable when used or upon retirement or termination. If paid upon retirement or termination, an employee receives one-half of accumulated sick leave hours paid at the effective hourly rate for that employee.

This liability has been computed based on rates of pay in effect at June 30, 2002.

#### **(6) Risk Management**

The Utility is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 384.12 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool with over 400 members from various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public officials' liability, police professional liability, property, inland marine, and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 300 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Utilities property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Utilities annual contributions to the Pool for the year ended June 30, 2002 were \$16,531.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$250,000 per claim. Claims exceeding \$250,000 are reinsured in an amount not to exceed \$1,750,000 per claim and \$5,000,000 in aggregate per year. For members requiring specific coverage from \$2,000,000 to \$15,000,000, such excess coverage is also reinsured. All property risks including automobile physical damage, are also reinsured on an individual-member basis.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event that a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2002, settled claims have not exceeded the risk pool or reinsurance company coverage since the pool's inception.

Members agree to continue membership in the Pool for the period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its capital contributions; however, the refund is reduced by an amount equal to the annual operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

#### **(7) Commitments**

At June 30, 2002, the Utilities had commitments totaling \$735,803 to purchase an electric generator and construct the structure to house it. The balance will be paid as work on the project progresses.

**Anita Municipal Utilities**

### **Supplemental Information**

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Anita Municipal Utilities  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	<u>Water</u>
Receipts:	
Use of money and property:	
Interest on investments	\$ -
Lease of property	2,700
	<u>2,700</u>
Charges for service:	
Sale of water	86,785
Sewer rental fees	86,737
Sale of electricity	-
	<u>173,522</u>
Miscellaneous:	
Sales tax collected	4,960
Refunds and reimbursements	4,687
Customer deposits	-
Miscellaneous	-
	<u>9,647</u>
Total receipts	<u>185,869</u>
Disbursements:	
Home and Community Environment Program:	
Administration:	
Personal services	250
Management fee	-
Engineering	-
Miscellaneous	496
	<u>746</u>
Plant operation:	
Personal services	32,558
Purchased power	2,454
Insurance	-
Chemicals	5,066
Supplies	1,880
	<u>41,958</u>

Electric	Electric Emergency	Meter Deposit	Total
51,521	-	-	51,521
3,301	-	-	6,001
54,822	-	-	57,522
-	-	-	86,785
-	-	-	86,737
423,876	-	-	423,876
423,876	-	-	597,398
20,564	-	-	25,524
1,000	-	-	5,687
-	-	2,390	2,390
3,418	-	-	3,418
24,982	-	2,390	37,019
503,680	-	2,390	691,939
550	-	-	800
1,300	-	-	1,300
40,275	-	-	40,275
12,456	-	-	12,952
54,581	-	-	55,327
87,957	-	-	120,515
169,301	-	-	171,755
16,531	-	-	16,531
-	-	-	5,066
4,101	-	-	5,981
277,890	-	-	319,848

Anita Municipal Utilities  
Combining Schedule of Cash Transactions  
Enterprise Funds  
Year ended June 30, 2002

	<u>Water</u>
Disbursements (continued):	
Home and Community Environment Program:	
Distribution:	
Sales tax remitted	4,992
Supplies and materials	15,651
Vehicle operation	1,698
	<u>22,341</u>
Accounting and collection:	
Personal services	6,284
Office supplies	4,046
Contractual services	-
	<u>10,330</u>
Maintenance:	
Personal services	22,071
	<u>97,446</u>
Non-program:	
Sewer rental fees remitted to City	86,737
Payments in lieu of taxes remitted to City	-
	<u>86,737</u>
Total disbursements	<u>184,183</u>
Excess of receipts over disbursements	<u>1,686</u>
Other financing sources (uses):	
Note proceeds (less discount of \$16,400)	-
Transfers in (out)	-
Total other financing sources (uses)	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	1,686
Balance beginning of year	<u>41,970</u>
Balance end of year	<u>\$ 43,656</u>

See accompanying independent auditor's report.



Electric	Electric Emergency	Meter Deposit	Total
20,469	-	-	25,461
27,192	-	-	42,843
4,569	-	-	6,267
52,230	-	-	74,571
12,576	-	-	18,860
8,169	-	-	12,215
-	-	1,778	1,778
20,745	-	1,778	32,853
44,146	-	-	66,217
449,592	-	1,778	548,816
-	-	-	86,737
27,692	-	-	27,692
27,692	-	-	114,429
477,284	-	1,778	663,245
26,396	-	612	28,694
803,600	-	-	803,600
100,000	(100,000)	-	-
903,600	(100,000)	-	803,600
929,996	(100,000)	612	832,294
103,734	830,000	14,986	990,690
1,033,730	730,000	15,598	1,822,984

**Anita Municipal Utilities**



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STATE OF IOWA**

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Warren G. Jenkins, CPA  
Chief Deputy Auditor of State

**Independent Auditor's Report on Compliance  
and on Internal Control over Financial Reporting**

To the Board of Trustees of the  
Anita Municipal Utilities:

We have audited the financial statements of the Anita Municipal Utilities, as of and for the year ended June 30, 2002, and have issued our report thereon dated August 23, 2002. Our report expressed an unqualified opinion on the financial statements which were prepared in conformity with an other comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Anita Municipal Utilities' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations and contracts, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance that are described in the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the Utilities' operations for the year ended June 30, 2002 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the Utilities. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Anita Municipal Utilities' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials, employees and customers of the Anita Municipal Utilities and other parties to whom the Anita Municipal Utilities may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Anita Municipal Utilities during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

RICHARD D. JOHNSON, CPA  
Auditor of State

WARREN G. JENKINS, CPA  
Chief Deputy Auditor of State

August 23, 2002

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2002

**Findings Related to the Financial Statements:**

**INSTANCES OF NON-COMPLIANCE**

No matters were noted.

**REPORTABLE CONDITIONS:**

No material weaknesses in internal control over financial reporting were identified.

**Other Findings Related to Required Statutory Reporting:**

- (1) Official Depositories – A resolution naming official depositories has been approved by the Utilities. The maximum deposit amounts stated in the resolution were not exceeded during the year ended June 30, 2002.
- (2) Certified Budget – Disbursements during the year ended June 30, 2002 did not exceed the amount budgeted.
- (3) Questionable Disbursements – No disbursements were noted that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979.
- (4) Travel Expense – No disbursements of Utilities' money for travel expenses of spouses of Utilities' officials or employees were noted.
- (5) Business Transactions – No business transactions between the Utilities and Utilities' officials or employees were noted.
- (6) Bond Coverage – Surety bond coverage of Utilities' officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that coverage is adequate for current operations.
- (7) Board Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- (8) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the Utilities' investment policy were noted.
- (9) Capital Projects – Chapter 384.95 of the Code of Iowa requires public hearings and bids for contracts for buildings or public improvements that exceed \$25,000. The Utilities did not take bids as required for one contract totaling \$29,678.

Recommendation – The Utilities should ensure that public hearing and bidding requirements are followed for all contracts for buildings or public improvements that exceed \$25,000.

Response – In the future, we will take bids on public improvements contracts if they exceed \$25,000.

Conclusion – Response accepted.

Anita Municipal Utilities

Schedule of Findings

Year ended June 30, 2002

- (10) Revenue Notes - The Utility has not established the sinking, reserve and improvement and extension accounts required by the electric revenue note resolution.

Recommendation - The Utility should establish these accounts and make the required transfers.

Response - The Utility will establish these accounts and make the required transfers at our next board meeting.

Conclusion - Response accepted.

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Anita Municipal Utilities

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager  
Stephen M. Dick, CPA, Senior Auditor  
Jennifer Campbell, Staff Auditor

Andrew E. Nielsen, CPA  
Deputy Auditor of State